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# Factors Influencing Stock Market Investment Intentions of Retail Investors: A Behavioural Perspective

Purna Man Shrestha[1], Mahesh Rana[2*]

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[1]Graduate School of Management, Mid-West University, Nepal

[2]Surkhet Multiple Campus, Tribhuvan University, Nepal

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**Corresponding email:* ranamahesh88@gmail.com *ISSN: 2976-1204 (Print), 2976 – 131X (Online)*



## Abstract

*This study aims to examine factors influencing the investment intention of retail investors of the Nepalese stock market from a behavioural perspective. An explanatory research design was employed, using purposive sampling to collect data from 402 retail investors in Surkhet District, which were subsequently analyzed using PLS-SEM.The findings of this study revealed that attitude, subjective norms, perceived behaviour control, and risk tolerance have a significant influence on the investment intention of the retail investors of the stock market. Further, investment intention has a significant influence on the investment behaviour of retail investors. Mediation analysis also validates that investment intention significantly mediates the relationship between behavioural factors and investment behaviour. Policymakers, financial institutions, and market regulators can use these insights to design effective financial literacy programs and strengthen regulatory frameworks that promote balanced investment strategies.*

**Keywords**: Behavioural finance, financial protection, investment intention, retail investors

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## Introduction

Financial markets play a vital role in economic development by mobilizing savings, facilitating capital formation, and promoting resource allocation, contributing to economic growth and wealth creation (He et al., 2018; Gabhane & Radhakrishnan, 2025). In recent years, retail investors have become key participants in financial markets due to the rapid growth of financial technology, online brokerage services, and mobile trading platforms, which have reduced the barriers to market participation and accelerated the democratization of investing (Maheshwari & Jain, 2026). As a result, retail investors now account for a growing share of trading activity in both developed and emerging markets. Understanding the behavioural factors influencing stock market intentions has become increasingly significant for researchers, policymakers, and financial institutions seeking to promote informed investment participation and sustainable capital market development (Akhtar & Das, 2019; Lama et al., 2025).

Retail investor participation in the stock market has emerged as a critical subject of inquiry in behavioural finance, particularly in emerging economies (Sattar et al., 2020; Suresh, 2021). However, the stock market is inherently volatile and complex, especially when it comes to making investment decisions (Dewan et al., 2019). The decision to invest in equities is neither straightforward nor purely rational, but it is shaped by psychological dispositions, cognitive biases, social influences, and risk perception that collectively determine the intention that ultimately translates into observable market behaviour (Kahneman & Tversky, 1979; Ajzen, 1991). The behavioural finance literature has claimed that retail investors deviate from rational decision-making norms. Cognitive biases such as overconfidence, herding, loss aversion, and anchoring distort investors' perception of risk and return (Byegon, 2020; James, 2023; Chauhan & Patel, 2024). Prior research suggested that emotions have a significant impact on financial decision-making, leading investors to base their choices on intuition rather than logic (Youssef et al., 2021).

This study draws on a coherent theoretical lens that integrates three complementary frameworks. TPB posits that an individual's behaviour is influenced by three main factors: attitude toward the behaviour, subjective norms from social referents, and perceived behavioural control over the action (Ajzen, 1991). In investment contexts, TPB has been widely applied to assess investors' intention, establishing that attitude, social influence, and self-efficacy shape the investment engagement (Akhtar & Das, 2019; Rahies et al., 2022). However, the influence of these factors differs across market contexts. In developed markets, higher financial literacy, stronger investor protection, and advanced market mechanisms enable investors to make more information-driven decisions. In contrast, investors in developing economies often face information asymmetry, market volatility, and lower financial literacy, increasing their reliance on social influence and behavioural cues. Consequently, behavioural factors become important in explaining investment decisions in emerging markets. Risk tolerance further extends this framework by recognizing that individuals differ in their psychological capacity to accept financial risk, which translates into investment intentions (Lim et al., 2013; Siratan et al., 2024).

Nepal Stock Exchange (NEPSE) has experienced a rapid expansion in retail investor participation over the past decade, with the number of active Dematerialized Account (DEMAT) accounts growing. The active DEMAT account holder in Nepal up to fiscal year 2081/82 is 6,995,000 (Security Board of Nepal [SEBON], 2025). However, this quantitative expansion has not been matched by qualitative improvements in investor decision-making quality (Rana, 2024; Shrestha & Rana, 2024).

Despite the rapid growth of Nepal's capital market, retail investors continue to face challenges associated with limited financial literacy, information asymmetry, and market volatility. Existing research in Nepal showed that market participation is strongly influenced by financial knowledge and inclusion, while many investors continue to rely on informal sources and social networks in making investment decisions (Rana, 2024; Shrestha & Rana, 2024). Consequently, behavioural patterns such as herding, overconfidence, emotional trading, loss aversion, and reactions to market rumours influence investment outcomes (James, 2023; Chauhan & Patel, 2024). Therefore, examining investment intentions from a behavioural finance perspective is particularly relevant in the Nepalese context.

Inspite the growing concern in behavioural finance, limited research has integrated TPB with risk tolerance to explain investment intentions in developing economies like Nepal. Prior research has largely studied stock market participation without adequately linking it to broader financial behaviours (Akhtar & Das, 2019; Rahies et al., 2022). Moreover, TPB-based investment studies have been conducted in developed or upper-middle-income economies, leaving the applicability of the framework in emerging markets like Nepal (Shrestha & Rana, 2024).

In order to address the gap, this study aims to examine the influence of TPB factors (attitude, subjective norms, and perceived behavioral control) and risk tolerance on investment intention of retail investors. Further, the study also assesses the mediating role of investment intention between TPB factors, risk tolerance, and investment behaviour. This study contributes to the behavioural finance and investment literature by providing the mediation-based empirical test of an integrated TPB-Risk Tolerance model in the NEPSE context, addressing both the inconsistent cross-contextual findings of prior TPB–investment research and the underexplored intention–behaviour gap in emerging market settings. Further, this study extends the application of TPB by integrating risk tolerance into the framework and offers context-specific insights that may help policymakers, regulators, and financial institutions in promoting sustainable retail investment participation.

## Literature Review

Retail investor behaviour has shifted from classical assumptions of rational decisions to behavioural explanations that emphasize investors' psychology, social influence, and bounded rationality (Byegon, 2020; Razzaq, 2025). Behavioural finance argues that investors do not always process information objectively, but their decisions are shaped by biases such as overconfidence, herding, anchoring, and loss aversion (Sattar et al., 2020; Jaber, 2025;

Mehraj & Kumar, 2025). Similarly, TPB explains investment behaviour through attitude, subjective norms, and perceived behaviour control, with behavioural intention acting as the precursor of actual behaviour (Ajzen, 1991).

Evidence from developed market contexts shows that stock market participation is strongly linked with investor capability, trust, and psychological readiness (van Rooij et al., 2011; Yuan, 2018; Fisch & Seligman, 2022). Developed markets also demonstrated that behavioural biases persist even where institutions are mature and information systems are strong, indicating that irrationality is not confined to emerging markets (James, 2023). At the same time, some studies claimed that overconfidence produces overtrading and poor performance (Yanuar & Arifin, 2022; Rani et al., 2024). This suggests that the application of developed market evidence and theory complicates to other contexts.

Although TPB gives a robust framework for explaining investment intentions, behavioural finance literature recommends that investment decisions are also influenced by psychological biases that often lead investors to deviate from the rational decision-making process (Sattar et al., 2020; Chauhan & Patel, 2024). Moreover, despite ongoing regulatory efforts by the NEPSE and the Security Board of Nepal (SEBON) to strengthen market transparency and investors' protection, challenges related to market volatility, information asymmetry, and speculative trading continue to affect investor behaviour (SEBON, 2025). These contextual characteristics suggest that behavioural factors may exert a stronger influence on investment decisions, which justifies on of behavioural finance perspectives with TPB in explaining investors' intentions and behaviour.

Research from emerging markets generally shows stronger behavioural dissertations in investor decision-making than in developed markets (Khawaja & Alharbi, 2021; Suresh G., 2021). Emerging market investors are therefore more vulnerable to herding, overconfidence, and sentiment-based trading (Chauhan & Patel, 2024; Razzaq, 2025). Evidence from emerging economies indicates that risk tolerance and financial literacy significantly shape investment intention (Elshaer, 2023; Siratan et al., 2024). The South Asian context suggests that TPB variables significantly influence investment intention, but the strongest predictor varies across studies and contexts (Akhtar & Das, 2019; Rahies et al., 2022; Srivastava & Roy, 2023). This regional pattern is significant in the Nepalese context due to high retail participation, limited advisory support, and strong social influence in financial decision-making.

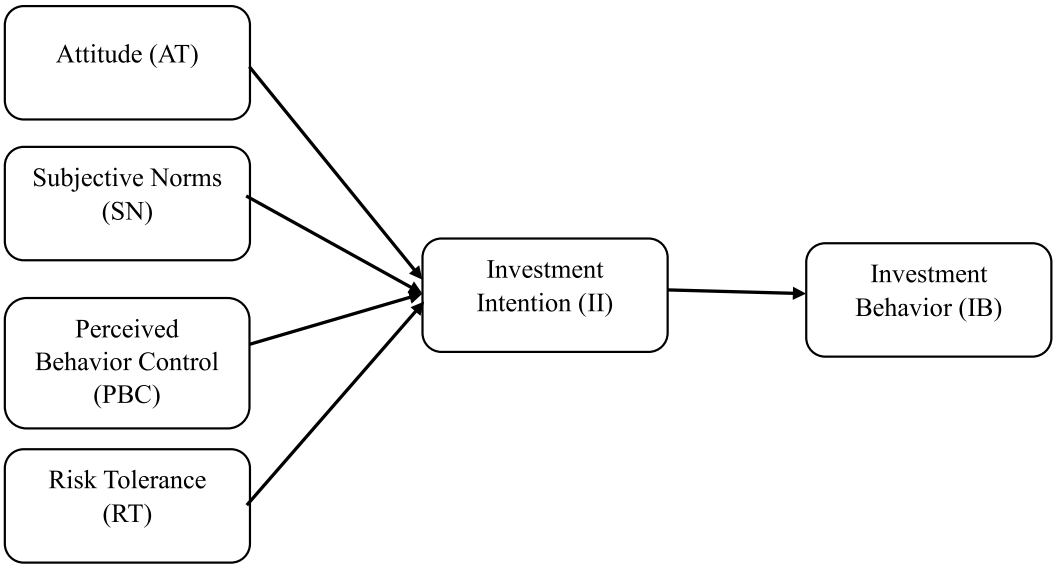
A major issue is that findings differ substantially across contexts. In some studies, attitude is the strongest predictor of investment intention, while in others, perceived behavioural control or subjective norms suggest that TPB effects are context sensitive rather than universal (Lim et al., 2013; Akhtar & Das, 2019; Srivastava & Roy, 2023). These contradictions indicate that existing theory does not fully explain retail investor behaviour across developed and emerging market contexts. Thus, these unresolved contradictions across contexts create a strong basis for examining the influence of attitude, subjective norms, perceived behaviour control, risk tolerance, and behavioural mechanisms that shape investment intention and behaviour.

***Conceptual Framework***

The TPB was widely used in the investment behaviour research that explains how attitude, subjective norms, and perceived behaviour control influence investment intention and behaviour (Ajzen, 1991). The conceptual framework here suggests that attitude, subjective norms, perceived behavioural control, and risk tolerance drive investment intention, which ultimately influences investment behaviour of retail investors, highlighting how investment decisions form part of overall financial security and portfolio allocation strategies (Grable, 2000; Campbell, 2006). Extending this model, the study incorporates risk tolerance as a key factor as a key determinant reflecting an individual's willingness to engage in financial risk within a broader risk management

**Figure 1**

**Conceptual Framework**




***Hypothesis Formulation***

**Attitude and Investment Intention:** Attitude captures how favourably or unfavourably an individual evaluates a particular course of action. In the stock market context, it reflects the degree to which a retail investor believes that participating in the market is worthwhile, profitable, and aligned with personal financial goals (Ajzen, 1991). In the context of stock market investment, investors who perceive investing as beneficial for wealth creation and long-term returns are more likely to develop stronger investment intentions. Therefore, a favourable attitude serves as an important cognitive mechanism through which beliefs about investment outcomes are translated into intention formation (Nguyen et al., 2026; Thapa, 2026).

An investor's initial attitude is shaped by cognitive knowledge, trust, and risk perception (Sobaih & Elshaer, 2023; Jiaranaipayuk et al., 2026). Akhtar and Das (2019) found that a positive perception of stock market investments enhances investment intentions. Baihui et al. (2024) extended the TPB model to internet money market funds, confirming that financial literacy and perceived profitability shape attitude towards digital investment options. However, the prior research also revealed that favourable attitudes do not always translate into stronger intentions when investors face constraints like limited financial resources, investment knowledge, and perception of market risk (Awais et al., 2016). Therefore, the following hypothesis was formulated.

*H1: Attitude toward stock market investment significantly influences retail investors' investment intention.*

**Subjective Norms and Investment Intention:** Subjective norms describe the effect of social pressure from the likes of families, peers, and finance-related networks on investment decisions (Ajzen, 1991). Subjective norms influence intention because individuals tend to consider the expectations and behaviours of significant others when making decisions. This influence operates through both injunctive norms that reflect perceptions of what important others think one should do, and descriptive norms which reflect perceptions of what others are actually doing (Ajzen, 1991; Tommasetti et al., 2018).

In the context of stock market investment, recommendations from family members, peers, and financial networks can reduce uncertainty and provide social validation for strengthening investment intentions (Raut et al., 2021; Pandurugan & Al Shammakhi, 2024). So, stronger perceived social approval and greater exposure to investing behaviour are expected to influence retail investors' intention to invest. It is evident that social pressure has a huge impact on an individual's financial behaviour and market participation (Raut et al., 2021).

Similarly, retail investors may be influenced by the opinions, expectations, and behaviours of family members, friends, colleagues, and financial networks (Ajzen, 1991; Tommasetti et al., 2018). The prevailing theoretical and empirical evidence suggests that stronger perceived social approval influences investment intentions.

*H2: Subjective norms have a significant influence on the investment intentions of retail investors.*

**Perceived Behavioural Control and Investment Intention:** Perceived behavioural control (PBC) refers to an investor's confidence in making successful investments. In the investment context, PBC encompasses both internal factors, such as financial knowledge, investment skills, and self-confidence, and external factors, including access to capital, market information, and investment platforms. Investors who perceive stock market participation as within their control are more likely to develop stronger intentions to invest because they feel capable of overcoming potential barriers and making informed investment decisions (Ajzen, 1991; Sobaih & Elshaer, 2023).

Raut et al. (2018) claimed that investors with greater perceived control over investment decisions were more likely to express their intentions to participate in financial markets. Further, Rahies et al. (2022) found that investors who are confident in their financial decisions are more likely to develop strong investment intentions. Similarly, Yanuar and Arifin (2022) suggested that millennials with a higher level of financial literacy and self-confidence are more willing to invest in the stock market. Greater perceived control also enhances an individual's ability to manage financial risks effectively, linking investment decisions.

*H3: Perceived behavioural control has a significant influence on the investment intentions of retail investors.*

**Risk Tolerance and Investment Intention:** : Risk tolerance is another key factor in investor behaviour. From a behavioural finance perspective, risk preferences play a central role in shaping financial decision-making, as investors differ in their attitudes toward risk and their capacity to withstand market volatility (Kahneman & Tversky, 1979; Grable, 2000). Raut et al. (2020) claimed that investors with higher risk tolerance tend to trade more frequently and engage in long-term investment. Moreover, investors with higher risk tolerance are more inclined to equity investments, while risk-averse individuals prefer safer financial instruments such as savings and insurance products (Grable, 2000; Raut et al., 2020). Siratan et al. (2024) argued that risk tolerance influences investment decision-making by shaping how investors evaluate potential gains and losses under uncertain market conditions. This highlights the role of risk tolerance in shaping investment intention (Obenberger, 1994; Siratan et al., 2024).

*H4: Risk tolerance has a significant influence on the investment intentions of retail investors.*

**Investment Intention and Investment Behaviour**: According to TPB, behavioural intention is the most immediate antecedent of actual behaviour and represents an individual's readiness to take a specific action (Ajzen, 1991). In the stock market context, investment intention reflects an investor's commitment and willingness to invest. Ajzen (1991) revealed that intention is the strongest predictor of actual investment behaviour. Srivastava and Roy (2023) risk propensity (RP) validated this relationship empirically, showing that investment intention influences investment behaviour. Dewan et al. (2019) found that corporate investors exhibit a more substantial alignment between investment intention and behaviour compared to retail investors. Further, Raut et al. (2018) observed that investors with stronger intentions toward stock market participation are more likely to undertake actual investment actions. Thus, TPB and extensive empirical evidence consistently indicate that investment intention remains the influential predictor of actual behaviour.

*H5: Investment Intention has a significant influence on the investment intentions of retail investors.*

**Mediating Role of Investment Intention*:*** Investment intention plays an important mediating role in the relationship between psychological determinants and investment behaviour, as supported by the TPB (Ajzen, 1991). Intention is the most immediate antecedent of behaviour because it captures an individual's motivation, willingness, and readiness to perform a

specific action (Ajzen, 1991). Consequently, psychological factors such as attitude, subjective norms, PBC, and risk tolerance are expected to influence investment behaviour indirectly by shaping investment intention. Investors are unlikely to translate favourable perceptions, social influence, confidence, or risk preferences into actual investment actions unless these factors first generate a strong intention to invest (Ajzen, 1991; Srivastav & Roy, 2023; Baihui et al., 2024). Attitude toward investment significantly shapes investment intention, which in turn influences actual investment behaviour (Raut et al., 2020).

Similarly, subjective norms affect behaviour through their impact on investment intention (Rahies et al., 2022). PBC, which reflects an individual's confidence in making investment decisions, also influences behaviour through investment intention (Baihui et al., 2024). Risk tolerance also affects behaviour through intention because people's willingness to participate in risky financial investments plays an important role in finance. This empirical evidence suggested that investment intention serves as a key mediating variable.

*H6: Investment Intention significantly mediates the relationship between attitude and investment behaviour.*

*H7: Investment Intention significantly mediates the relationship between subjective norms and investment behaviour.*

*H8: Investment Intention significantly mediates the relationship between perceived behaviour control and investment behaviour.*

*H9: Investment Intention significantly mediates the relationship between risk tolerance and investment behaviour.*

## Research Methods

### *Research Design and Approach*

This study employed an explanatory research design with a cross-sectional approach to examine the factors influencing stock market investment behaviour of retail investors by investigating the mediating role of investment intention. The target population of this study comprises all retail investors registered with the NEPSE who possess an active DEMAT account. The active DEMAT account holder in Nepal up to fiscal year 2081/82 is 6,995,000 (SEBON, 2025). This study focused on retail investors residing in Surkhet District of Karnali Province as the accessible population where participation in capital market activities has increased following the expansion of digital trading platforms and financial services.

Given the absence of a definitive and publicly sampled frame of individual retail investors in NEPSE, a purposive sampling technique was employed. The retail investors should possess a Demat and trading account, have actively participated in stock market transactions, and have at least one year of investment experience. This criterion ensures that the respondent had sufficient knowledge and practical experience to provide meaningful insights into their investment intentions and behaviours. The sample size of 402 retail investors was determined by using Cochran (1977) formula.

The study used a structured survey questionnaire to collect the data. The questionnaire is divided into two categories, i.e., socio-demographic and study variables. All the scale items were adapted from the previous well -established literature and widely used items and were anchored on a five-point Likert scale (i.e., 1= "Strongly Disagree" and 5 = "Strongly Agree"). The survey was administered using both printed questionnaires and an online platform (i.e., Google Forms) between 15 August 2025 and 30 September 2025, spanning approximately eight weeks of active data collection. Respondents were approached through two parallel channels to ensure wider accessibility and participation. First, an online survey was distributed via Google Forms through brokerage houses and investor community groups on social media platforms such as Messenger and WhatsApp. Second, a paper-based questionnaire was administered in person at brokerage offices in Surkhet District.

Table 1 summarizes the construct definitions, measurement sources, and adaptation rationale for study variables.

**Table 1**

**Measures and Instruments**

| Construct | No. of Items | Scale Source |
|---|---|---|
| Attitude (AT) | 5 (at1 to at5) | (Ajzen, 1991; Akhtar & Das, 2019) |
| Subjective Norms (SN) | 5 (sn1 to sn5) | (Ajzen, 1991; Raut et al., 2018) |
| Perceived Behaviour Control (PBC) | 5 (pbc1 to pbc5) | (Ajzen, 1991; Rahies et al., 2022) |
| Risk Tolerance (RT) | 5 (rt1 to rt5) | (Siratan et al., 2024; Grable, 2000) |
| Investment Intention (II) | 5 (ii1 to ii5) | (Ajzen, 1991; Raut, 2020) |
| Investment Behaviour (IB) | 5 (ib1 to ib5) | (Dewan et al., 2019; Srivastava & Roy, 2023) |

Both descriptive and inferential statistical analyses were conducted for data analysis. Descriptive statistics, including frequency distributions, means, and standard deviations, were computed for all socio-demographic and construct variables using IBM SPSS Version 26. Inferential analysis was performed using SmartPLS 4.0 employing the Partial Least Squares Structural Equation Modelling (PLS-SEM) technique. All six constructs in the study were specified as reflective measurement models, meaning that each observed indicator is treated as a manifestation of its underlying latent construct rather than a defining component of it (Hair et al., 2020). The PLS-SEM analysis followed a two-stage analytical procedure, i.e., measurement model assessment and structural model assessment. Initially, the measurement model was assessed for reliability and validity. The second step introduced the results of the structural models using the bootstrapping technique.

This study was conducted in strict adherence to established ethical principles governing research involving human participants. Informed consent, confidentiality, anonymity, and voluntary participation, no personally identifiable information, and aggregate use of information for academic purposes were strictly ensured throughout the study.

## Results and Analysis

### *Socio-Demographic Profile of the Respondents*

The socio-demographic profile of the respondents is presented in Table 2.

**Table 2**

**Socio-Demographic Profile of the Respondents**

| Variable | Categories | Frequencies | Percentage (%) |
|---|---|---|---|
| Gender | Male | 238 | 59.2 |
| | Female | 164 | 40.8 |
| Age (in years) | 16-25 | 198 | 49.25 |
| | 26-35 | 118 | 29.25 |
| | 36-45 | 59 | 14.68 |
| | 46-55 | 22 | 5.47 |
| | Above 55 | 5 | 1.24 |
| Occupation | Student | 147 | 36.57 |
| | Employed | 207 | 51.49 |
| | Entrepreneur | 36 | 8.96 |
| | Unemployed | 9 | 2.24 |
| | Retired | 3 | .75 |
| Monthly Income | Below Rs. 25,000 | 165 | 41.04 |
| | Rs. 25,000 – Rs. 50,000 | 130 | 32.34 |
| | Rs. 50,001 – Rs. 100,000 | 75 | 18.66 |
| | Above Rs. 100,000 | 31 | 7.71 |
| Education Level | Intermediate and below | 22 | 5.47 |
| | Bachelors | 205 | 51.0 |
| | Masters | 136 | 33.83 |
| | M. Phil/Ph.D. | 39 | 9.7 |
| Investment Portfolio | Less than Rs. 100,000 | 242 | 6.2 |
| | Rs. 100,001 – Rs. 500,000 | 78 | 19.4 |
| | Rs. 500,001 – Rs. 1,000,000 | 44 | 1.95 |
| | Above Rs. 1,000,000 | 36 | 8.96 |
| Comfortable with using financial tools and software | Yes | 166 | 41.29 |
| | No | 96 | 23.88 |
| | Somewhat | 140 | 34.83 |
| Searching for financial education materials and resources | Yes | 310 | 77.11 |
| | No | 52 | 12.94 |
| | Don't Know | 40 | 9.95 |

*Note.* Survey data, 2025

The result shows that the sample is predominantly male-dominated (59.2%) and largely composed of young investors aged between 16 and 25 years. A majority of the participants are employed, having a monthly income within the lower-to middle-income brackets. More than half of the respondents possess a bachelor's degree, and a considerable proportion hold postgraduate qualifications. Despite this, investment levels remain relatively low, with 6.2% of respondents reporting portfolios of below NPR 100,00. In terms of financial behaviour, a considerable proportion of respondents reported being comfortable or somewhat comfortable in using financial tools, while a strong majority (77.11%) actively seek financial education resources, indicating a high level of interest in improving financial literacy.

***Descriptive Analysis***

Table 3 represents the results of the descriptive statistics of the study variables. The descriptive statistics demonstrate that respondents generally exhibited higher levels of perception across all study constructs. Among the variables, attitude (M = 4.280) exhibited a strong positive orientation, while risk tolerance (M=3.935) demonstrated the lowest mean. In terms of standard deviation, all six variables exhibited relatively low dispersion, demonstrating a high degree of consistency in respondents' perceptions.

Following the criteria suggested by Curran et al. (1996), the acceptable thresholds for skewness are ±2, and for kurtosis are ±7. The findings revealed that skewness and kurtosis values full withing the threshold criteria. In contrast, the negative skewness values indicate that responses were concentrated toward the upper end of the measurement scale. Further, kurtosis statistics suggest acceptable distributional properties with no evidence of substantial departures from normality. The descriptive results provide preliminary evidence that the sampled retail investors possess positive investment-related perceptions and behaviours.

**Table 3**

**Descriptive Statistics**

| Variables | Mean | Std. Deviation | Skewness | Kurtosis |
|---|---|---|---|---|
| Attitude (AT) | 4.280 | .408 | -1.823 | 5.884 |
| Subjective Norms (SN) | 4.127 | .576 | -1.702 | 3.398 |
| Perceived Behaviour Control (PBC) | 4.200 | .535 | -1.412 | 1.843 |
| Risk Tolerance (RT) | 3.935 | .645 | -.844 | .548 |
| Investment Intention (II) | 4.200 | .484 | -1.466 | 5.003 |
| Investment Behaviour (IB) | 4.134 | .554 | -1.058 | .314 |

*Note.* Survey data, 2025

***Measurement Model Assessment***

The measurement model is assessed using internal consistency reliability, convergent and discriminant validity, confirming the study items' reliability and validity. Altogether, there are 30 items of six constructs. Since the proposed model is reflective in nature, the study was guided by a standard reflective measurement procedure within the SEM framework.

**Internal Consistent Reliability and Convergent Validity:** Internal consistency reliability was assessed using Cronbach's Alpha (CA) and composite reliability (CR). Convergent validity was assessed using factor loadings and Average Variance Extracted (AVE). The ideal factor loading is .70 or above, while values greater than .50 are still acceptable (Hair et al., 2020). Among the 30 items, 26 items were retained whose loading values were greater than .50. In contrast, four items (i.e., at3, at4, ii3, and ib3) were removed due to low factor loading below .50.

**Table 4**

**Internal Consistent Reliability and Convergent Validity**

| Construct | Indicators | Outer Loading | CA | CR | AVE |
|---|---|---|---|---|---|
| Attitude | at1 | .655 | .603 | .785 | .551 |
| | at2 | .800 | | | |
| | at5 | .765 | | | |
| Subjective Norms | sn1 | .769 | .779 | .849 | .535 |
| | sn2 | .739 | | | |
| | sn3 | .526 | | | |
| | sn4 | .790 | | | |
| | sn5 | .798 | | | |
| Perceived Behavior Control | pbc1 | .740 | .762 | .841 | .514 |
| | pbc2 | .791 | | | |
| | pbc3 | .712 | | | |
| | pbc4 | .636 | | | |
| | pbc5 | .698 | | | |
| Risk Tolerance | rt1 | .740 | .819 | .873 | .581 |
| | rt2 | .791 | | | |
| | rt3 | .712 | | | |
| | rt4 | .636 | | | |
| | rt5 | .698 | | | |
| Investment Intention | ii1 | .710 | .731 | .831 | .554 |
| | ii2 | .826 | | | |
| | ii4 | .751 | | | |
| | ii5 | .681 | | | |
| Investment Behavior | ib1 | .742 | .707 | .811 | .520 |
| | ib2 | .776 | | | |
| | ib4 | .736 | | | |
| | ib5 | .619 | | | |

*Note.* Survey data, 2025

The reported CA and CR values exceeded the recommended threshold of .70 (Hair et al., 2017). Thus, the reliability of constructs was retained. Similarly, the results revealed that all constructs exceeded the recommended threshold of .50 proposed by Fornell and Larcker (1981), thereby confirming adequate convergent validity.

***Discriminant Validity***

Table 5 presents the discriminant validity assessment through the Fornell-Lacker criterion and the Heterotrait-Monotrait ratio (HTMT). The result shows that the square root of AVE for AT (.742), IB (.721), II (.744), PBC (.717), RT (.762), and SN (.731) were all greater than the corresponding inter-construct correlations (Hair et al., 2019). Further, the HTMT values ranged from .219 to .676, which were below the recommended threshold of .85, suggesting the absence of multicollinearity among the constructs. These results confirm that each latent construct captures a unique dimension of retail investor behaviour and that the measurement model demonstrates adequate discriminant validity.

**Table 5**

**Inter-Construct Correlations, the Square Root of AVE, and HTMT Results**

| | **HTMT Result** | | | | | **Fornell-Larcker Criterion** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | AT | IB | II | PBC | RT | AT | IB | II | PBC | RT | SN |
| AT | | | | | | .742 | | | | | |
| IB | .676 | | | | | .440 | .721 | | | | |
| II | .459 | .527 | | | | .319 | .383 | .744 | | | |
| PBC | .637 | .577 | .474 | | | .432 | .420 | .368 | .717 | | |
| RT | .316 | .219 | .504 | .291 | | .220 | .163 | .390 | .229 | .762 | |
| SN | .315 | .525 | .568 | .329 | .394 | .223 | .396 | .436 | .263 | .310 | .731 |

*Note.* Survey data, 2025

***Structural Model Assessment***

The structural model was assessed using the bootstrapping procedure with 10,000 subsamples to determine the significance of hypothesized relationships. Before hypothesis testing, several structural model assessment criteria were examined, including collinearity diagnostics (VIF), coefficient of determination ($R^2$), effect size ($f^2$), predictive relevance and predictive power (PLS-Predict), and overall model fit. These assessments were performed to ensure the robustness and predictive capability of the model.

**Table 6**

**Structural Model Assessment Criteria**

| Constructs | VIF | $R^2$ | $R^2$-adjusted | $f^2$ (II) | $f^2$ (IB) | $Q^2$ |
|---|---|---|---|---|---|---|
| Attitude (AT) | 1.267 | - | - | .018 | - | - |
| Subjective Norms (SN) | 1.169 | - | - | .104 | - | - |
| Perceived Behaviour Control (PBC) | 1.293 | - | - | .041 | - | - |
| Risk Tolerance (RT) | 1.149 | - | - | .07 | - | - |
| Investment Intention (II) | 1.000 | .326 | .319 | - | .173 | .294 |
| Investment Behaviour (IB) | - | .147 | .145 | - | - | .163 |
| **Average AVE Score** | | .542 | | | | |
| **AVE × $R^2$** | | .173 | | | | |
| **GOF = √AVE × $R^2$** | | .416 | | | | |
| **SRMR** | | .067 | | | | |
| **NFI** | | .714 | | | | |

*Note (s).* Survey data, 2025; "Average AVE = $\frac{(.550+.535+.513+.579+.554+.519)}{6}$ = .542"

Table 6 presents the structural model assessment criteria. The VIF values range from 1 to 1.293, which are below the recommended threshold of 5 as suggested by Hair et al. (2019), indicating no multicollinearity issues among the predictor variables.

The $R^2$ indicates that AT, SN, PBC, and RT jointly explain 32.6% of the variance in II, indicating a weak explanatory power. Furthermore, five predictor variables (i.e., AT, SN, PBC, RT, and II) collectively account for 14.4% of the variance in IB, reflecting a very weak explanatory power. The $f^2$ indicates that SN has the strongest effect on II, followed by RT and PBC, whereas at demonstrates a relatively small effect. Further, II exhibits a moderate effect on IB, highlighting its role as a key antecedent of actual investment actions. The predicative relevance ($Q^2$) values for both endogenous constructs are greater than zero, confirming that the model possesses adequate relevance.

For model fit, the SRMR value lies below the recommended threshold of .08, suggesting an acceptable fit between the proposed model and the observed data (Henseler & Sarstedt, 2013). In addition, the goodness-of-fit (GOF) values suggest an overall moderate model fit. Therefore, these findings indicate that the structural model is statistically adequate and possesses sufficient explanatory and predictive capability for hypothesis testing (Henseler & Sarstedt, 2013; Lance et al., 2016).

The path analysis, performed using SmartPLS 4.0, visualizes hypothesized relationships through a path diagram.

**Figure 2**

**Path Analysis**

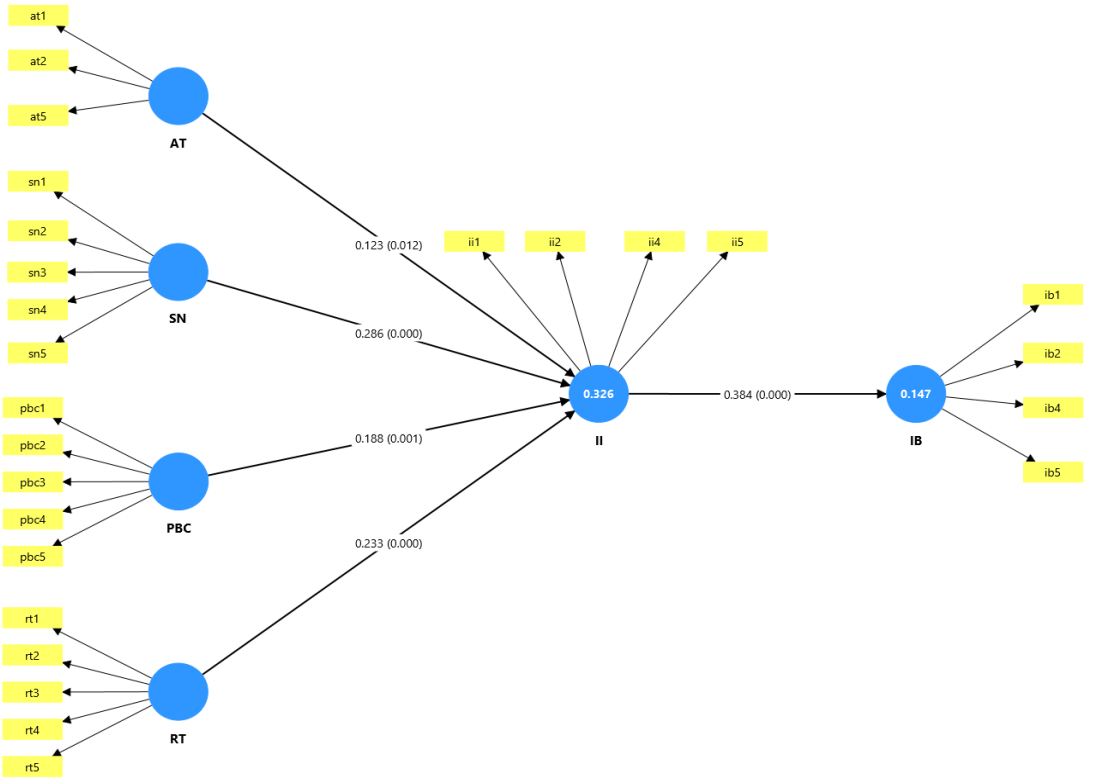



**Table 7**

**Hypothesis Test**

| Path | Beta Coefficient | S. D. | *t-values* | *p-values* | CI | | Decision |
|---|---|---|---|---|---|---|---|
| | | | | | Lower Limit | Upper Limit | |
| AT -> II (H1) | .123 | .049 | 2.505 | .012 | .028 | .218 | Supported |
| SN -> II (H2) | .286 | .058 | 4.913 | .000 | .166 | .391 | Supported |
| PBC -> II (H3) | .188 | .058 | 3.230 | .001 | .068 | .295 | Supported |
| RT -> II (H4) | .233 | .049 | 4.772 | .000 | .134 | .326 | Supported |
| II -> IB (H5) | .384 | .048 | 7.977 | .000 | .263 | .450 | Supported |

*Note.* Survey data, 2025

Table 7 shows the result of hypothesis testing, and the results revealed that all hypotheses (H1 to H5) are supported, as their p-values are below .05. Among the four predictive variables,

SN is the most influential variable of II. Thus, results confirmed that AT, SN, PBC, and RT significantly influence the II of retail investors. Further, II also influences the IB of retail investors, supporting the predictions of the TPB and reinforcing the role of intention as a key link between psychological factors and financial decision-making.

***Mediation Analysis***

Table 8 shows the results of the mediation analysis examining the role of II as a mediator between exogenous and endogenous latent constructs. The findings revealed that all four hypotheses (H6, H7, H8, and H9) were supported. This confirms that II significantly mediates the relationship between AT, SN, PBC, and RT with IB.

**Table 8**

**Mediating Analysis**

| Path | Beta Coefficient | S. D. | *t-values* | *p-values* | CI | | Decision |
|---|---|---|---|---|---|---|---|
| | | | | | Lower Limit | Upper Limit | |
| AT -> II -> IB (H6) | .047 | .022 | 2.153 | .031 | .009 | .087 | Supported |
| SN -> II -> IB (H7) | .110 | .029 | 3.776 | .000 | .052 | .164 | Supported |
| PBC -> II -> IB (H8) | .072 | .023 | 3.076 | .002 | .025 | .113 | Supported |
| RT -> II -> IB (H9) | .090 | .021 | 4.287 | .000 | .048 | .127 | Supported |

*Note.* Survey data, 2025

## Discussion

This study examined the influence of TPB factors along with risk tolerance on investment intention and investigated the effect of investment intention in shaping the investment behaviour of retail investors in Nepal. Based on the TPB and behavioural finance literature, the study also assessed whether investment intention mediates the relationship between behavioural antecedents and actual investment behaviour. The findings indicate that all four constructs significantly influence II, while II significantly predicts the IB. Further, II serves as a significant mediator through which behavioural factors are translated into actual investment actions.

The significant influence of AT on II supports the central proposition of TPB that individuals who evaluate a behaviour favourably are more likely to form intentions to perform that behaviour (Ajzen, 1991). This study revealed that investors who perceive stock market investment as profitable, capable of wealth creation, and beneficial for achieving financial goals are more likely to develop stronger investment intentions. This finding is also consistent with Lim et al. (2013) and Pandurugan and Shammakhi (2024), who claimed that favourable ATs significantly enhance II's across different investment contexts. The findings of this study also suggest that Nepalese retail investors who perceive investments as a viable avenue for

wealth creation and portfolio growth are more likely to develop intentions to invest. This finding is consistent with Akhtar and Das (2019) and Baihui et al. (2024), who highlighted the significance of AT in shaping II. From the perspective of behavioural finance, investors may associate stock ownership with future financial success, which further reinforces favourable ATs toward investment.

Moreover, the significant influence of SN on investment intention highlights the importance of social and peer influence in making financial decision-making among Nepalese retail investors. This finding is consistent with the TPB propositions that SN influence behavioural intention through family members, friends, colleagues, financial advisors, and social networks (Ajzen, 1991). In an investment context, where uncertainty, information asymmetry, and market risk are prevalent, investors often rely on the opinions and recommendations from trusted individuals to validate their financial decisions and reduce perceived risk. Such reliance may also affect herding behaviour, which is when investors follow the actions of others when evaluating investment opportunities (Raut et al., 2021). In the Nepalese market context, where capital markets are relatively less mature, family and peers' opinions often serve as important sources of financial guidance. Furthermore, the findings of this study also aligned with Pandurugan and Shammakhi (2024) and Raut et al. (2021), who revealed that social influence positively affects investment decisions. The stronger effect of SN observed in this study may be attributed to Nepal's collectivist social structure, where financial decisions are often driven by family and peer influences. Consequently, social approval and peer behaviour not only influence investment perceptions but also strengthen intentions by providing confidence and validation for decisions.

Similarly, PBC significantly influences investment intention, supporting the TPB propositions that individuals are more likely to intend to perform a behaviour when they believe they possess the necessary resources and capabilities to do so (Ajzen, 1991). Within the TPB framework, PBC reflects an investor's confidence in possessing the knowledge, skills, financial resources, and opportunities required to make successful investment decisions (Ajzen, 1991; Ajzen, 2020). Investors who believe that they have sufficient market information and adequate financial capability are more likely to perceive investing as feasible and manageable (Rahies et al., 2022; Sobaih & Elshaer, 2023).

The findings reveal that retail investors who perceive themselves as knowledgeable, financially capable, and able to access investment platforms are more inclined to invest in the stock market. This result is consistent with Rahies et al. (2022), Yanuar and Arifin (2022), and Sobaih and Elshaer (2023), who found that confidence and perceived competence significantly enhance investment intentions. Further, the finding is aligned with recent evidence suggesting that digital financial literacy, digital accessibility, and self-efficacy enhance investors' willingness to participate in financial markets (Baihui et al., 2024; Jiaranaipayuk et al., 2026). Nevertheless, Baihui et al. (2024) reported the stronger influence of PBC in digital investment settings, suggesting that the importance of control perceptions may vary across investment contexts. The comparatively moderate influence of PBC observed in this study may indicate that although investors value knowledge and confidence, social influence and risk considerations also play a key role in the Nepalese stock market.

Likewise, the positive impact of RT on II reinforces the behavioural finance argument that individual risk preferences are fundamental determinants of investment decisions. From a behavioural perspective, individual differences in risk perception and risk-taking propensity significantly shape investment decisions (Kahneman & Tversky, 1979; Grable, 2000). Investors with higher risk tolerance are generally more willing to allocate resources to equity investments despite market volatility. Consequently, the expectation of higher returns motivates greater participation in stock market activities and strengthens investment intention. This interpretation is consistent with Grable (2000), Lim et al. (2013), Khawaja and Alharbi (2021), and Siratan et al. (2024). The findings suggest that investors who are more comfortable with uncertainty and potential financial losses are more likely to develop intentions to invest in equities. These findings also aligned with Prospect Theory (Kahneman & Tversky, 1979), which posits that individuals evaluate investments based on perceived gains and losses rather than objective outcomes.

The significant positive influence of II on IB provides strong support for TPB, which identifies intention as the most immediate antecedent of actual behaviour (Ajzen, 1991). According to TPB, intention represents an individual's motivation, commitment, and readiness to perform a particular behaviour, making it the most direct predictor of actual action (Ajzen, 1991). The transition from intention to behaviour occurs because intention reflects the degree of effort an individual is willing to put into achieving a desired investment outcome. The finding indicates that retail investors who exhibit stronger intentions to invest are more likely to translate those intentions into actual market participation. This result is consistent with Dewan et al. (2019), Raut (2020), and Srivastava and Roy (2023), who found that IIs significantly influence subsequent investment actions. This result also suggests that behavioural factors alone cannot drive IB; they first shape II, which then motivates actual investment decisions.

The mediation results provide further support for the TPB framework by showing that II acts as the mediator through which AT, SN, PBC, and RT influence IB. The finding suggests that cognitive factors such as AT influence how investors evaluate the potential benefits of investing, social factors such as SN shape perceptions through social approval and peer influence, behavioural control enhances confidence in investment capabilities, and RT determines investors' willingness to accept uncertainty. These factors do not directly translate into IB; rather, they first shape investors' motivation and willingness to invest, which leads to actual market participation. This finding is consistent with Baihui et al. (2024) and Rana (2024), who revealed that behavioural factors exert their influence on investment outcomes primarily through intention information. The mediation effect is important because it highlights that favourable attitudes, strong social influence, higher perceived control, and greater risk tolerance are insufficient on their own to generate investment behaviour unless they first create a meaningful intention to invest.

The findings, therefore, extend the application of TPB within the context of retail investment by demonstrating how behavioural factors are transformed into actual market participation. Moreover, the inclusion of RT alongside traditional TPB constructs responds to calls from

previous studies (Sattar et al., 2020; Yanuar & Arifin, 2022) for more integrated behavioural models and suggest that combining TPB with behavioural finance perspectives offers a more comprehensive explanation of investment behaviour.

## Conclusion and Implications

This study examined the behavioural determinants of investment intention and investment behaviour among retail investors in Nepal by integrating the TPB with RT. Further, the findings reveal that investment decisions are shaped not only by economic and financial considerations but also by social influence, perceived capability, and individual risk preferences. Notably, SN emerged as the strongest predictor of II, highlighting the importance of social influence in shaping investment decisions among Nepalese retail investors. Moreover, II plays a central mediating role in translating these behavioural, social, and psychological factors into actual IB. The results strongly validate the behavioural perspective of investment decision-making and reinforce the applicability of the TPB in explaining stock market participation among retail investors. The findings of the study confirm that the stock market IB of retail investors is significantly influenced by AT, SN, PBC, and RT.

A key takeaway from this study is that IB is fundamentally a behavioural process rather than a purely financial process. While favourable attitudes and higher perceived control encourage participation, social influence remains particularly important in making financial decisions in Nepalese contexts. Further, RT highlights that an investor's willingness to accept uncertainty is an essential driver of market participation. These findings therefore suggest that efforts to increase retail investor participation should focus not only on improving market access but also on strengthening investor confidence, financial capability, and risk awareness.

This study contributes to the behavioural finance literature in three ways. First, it extends the TPB framework by demonstrating that risk tolerance is a significant behavioural antecedent of II beyond the traditional TPB constructs. Moreover, these study findings validate the II as the central mechanism through which behavioural factors are translated into actual IB that strengthen the explanatory power of TPB in the context of Nepalese stock market investment. Second, it integrates insights from behavioural finance and TPB, providing a comprehensive explanation of investment decision-making. Third, it offers empirical evidence from Nepal's capital market, enriching the limited body of research on retail investor behaviour in emerging market contexts.

Further, the findings suggest that policymakers, regulators, and financial institutions should focus on enhancing financial literacy, investor confidence, and risk awareness to inform investment decisions. Given the significant influence of PBC, efforts should also focus on improving access to reliable market information, strengthening investor protection mechanisms, and enhancing the accessibility of digital trading platforms to increase investor confidence and participation. The significant role of social influence, investor education initiatives may be more effective when supported through peer networks and community-based programs. Similarly, the significant effect of RT suggests the need for investor education programs that emphasize risk assessment, portfolio diversification, and long-term investment

planning to help investors make informed decisions under uncertainty. Thus, sustainable growth in market participation requires a balanced approach that combines investor education, market accessibility, and risk-management awareness.

## Limitations and Future Research

Despite these contributions, this study is limited by its focus on retail investors within a geographic context of Surkhet, Nepal, which may limit the generalizability of the findings to other regions and investor groups. Similarly, the cross-sectional design captures investor perceptions and behaviours at a single point in time and does not account for changes in market conditions or investor behaviour over time. Future research can address these limitations by conducting longitudinal research and incorporating cross-country comparisons, institutional investors, and a deeper analysis of the interaction between behaviour and insurance adoption. In addition, the proposed TPB-RT model can be replicated in other emerging and developed markets to assess its external validity. Future studies may also advance the model by incorporating additional behavioural finance constructs such as overconfidence, herding behaviour, loss aversion, financial literacy, and investor sentiment as mediating or moderating variables.

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## Conflict of Interest

The authors declare no conflicts of interest with respect to the research, authorship, and/or publication of this article.

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## Authors' Contributions and ORCID iDs

**Purna Man Shrestha:** Conceptualization; Methodology; Supervision; Validation; Investigation; Manuscript Review and Editing; Visualization; Resources; Project Administration.

**: https://orcid.org/0000-0001-5785-0135**

**Mahesh Rana:** Data Coding, Data Analysis, Manuscript Refinement, Review and Editing. Conceptualization; Software; Investigation; Writing-Original Draft; Visualization; Resources; Data Curation; Formal Analysis, Interpretation of Results; Manuscript Revision.

**: https://orcid.org/0009-0009-4661-3172**

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## Bios

**Purna Man Shrestha, PhD,** is an Associate Professor and Dean of the Graduate School of Management at Mid-West University, Surkhet, Nepal. He received his PhD from Mid-West University in 2022. His research interests include capital markets, service quality, financial performance, capital structure, investment decisions, and financial literacy, and he has published over 3 dozen research articles in national and international journals.

Email: purnaman.skt@gmail.com

**Mahesh Rana** is a Lecturer in the Department of Management at Surkhet Multiple Campus, Tribhuvan University, Nepal. He holds an M.Phil. in Management from Mid-West University. His research interests include corporate finance, behavioural finance, investment analysis, financial markets, and financial literacy. He has published research articles in peer-reviewed journals and presented his research at various national and international conferences.

Email: ranamahesh88@gmail.com

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